

CHAPTER 7

SPECIAL DISBURSING OFFICER FUNDS

INTRODUCTION

Special disbursing officers (SDO) have received an advance of state funds with permission to purchase and pay for certain types of expenditures, within single purchase limits. This authority is issued and approved by the Department of Administration and the Auditor of State. It is specified on State Form 47911, Authority for Local Purchases.

The SDO officer deposits the advance in a checking account. Payments are issued for the bills and obligations incurred within the authority granted. The checking account is reimbursed by an Auditor of State warrant, payable to the SDO, or by direct deposit for expenses classified on a SDO Reimbursement Voucher. The original paid invoices or receipts are attached to the reimbursement voucher for Auditor of State verification. Transactions reportable on IRS form 1099 must be submitted on a separate voucher, with a summary of the amounts paid to each vendor. The Auditor of State's office records the expense entries on the state accounting system. Reimbursement vouchers for category 3, 4, or 5 expenses are subject to review by the Department of Administration to ensure compliance with public purchasing laws and the SDO authority. SDO reimbursement vouchers for travel expenses are prohibited.

The total SDO advance appears as an asset on the Agency Object Trial Balance report for the fund/center. The report is issued monthly. The asset object number is the local purchase number preceded by 11, as: 11####.

The SDO expenditures are listed on the Agency Available Funds Activity report for the fund/center. The document reference for a SDO reimbursement voucher is L####XXXXX.

- L - Indicates the local purchase.
- #### - Local purchase number assigned on the Authority for Local Purchases.
- XXXXX - Agency assigned document number.

Those non-1099 reportable SDO Reimbursement Vouchers are submitted with the Vendor File Payment Diskette Program and are assigned a document reference of D-####NNYYDDD. (See USE OF AUDITOR OF STATE DISKETTE PROGRAM later in this chapter.)

- D - Identifies the document type as SDO.
- ### - The agency number.
- NN - Auditor's system assigned batch number.
- YY - Year.
- DDD - Julian Date.

The agency must verify all amounts reported.

The Special Disbursing Officer is accountable at all times for all sums advanced and is personally liable to the state for any amounts expended in any manner not in accordance with the authorization. Accordingly, the SDO officer may be held personally responsible for the amount needed to balance the fund or for amounts improperly expended.

Two reconciliations for the SDO fund must be performed each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register balance must be reconciled to the SDO advance. These reconciliations must be formally documented.

This chapter provides detailed procedures, instructions, and sample forms for the SDO authority, local purchases, reimbursement vouchers, travel advances and the bank account. Sample reconciliations of the fund and bank account are also provided.

SDO AUTHORITY

Legal Basis

"The auditor of state may, with the approval of the budget agency and the commissioner of the Indiana department of administration:

- (1) appoint a special disbursing officer for any state agency or group of agencies where it is necessary or expedient that a special record be kept of a particular class of disbursements or where disbursements are made from a special fund; and
- (2) approve advances to the special disbursing officer from any available appropriation for the purpose." [IC 4-13-2-20(d)]

Unless otherwise approved by the Commissioner of the Department of Administration, the special disbursing officer must be the same individual as the agency's procurement agent under IC 4-13-1.3-5.

The Commissioner of the Department of Administration shall cite in a letter to the special disbursing officer the exact purpose or purposes for which the money advanced may be expended. The Department of Administration establishes authorized levels of SDO accounts and a maximum amount which can be expended on a single purchase from SDO funds.

Per Financial Management Circular 96-3, the State Budget Agency has delegated to the Department of Administration their authority to approve initial appointments and any changes to the designation of special disbursing officers and approval of dollar limits.

State procurement and financial laws and regulations also apply to special disbursing officer expenditures. Special disbursing officers are not to pay for any item or service not purchased or contracted for in accordance with IC 5-22 and IC 4-13-2 (State Procurement and Financial Reorganization Acts, respectively).

Determine the SDO Fund Authority

Each SDO fund has restrictions as to expenditure categories authorized and the maximum amount of each total purchase. The special disbursing officer must be aware of the fund authority at all times. He or she must also ensure that staff assigned to perform accounting or purchasing duties for the SDO account know the fund authority.

The official source stating the authorized expenses and the single purchase limit for an agency's SDO fund is the Authority For Local Purchases, Form 47911. An example is shown on the next page. The form is issued upon authorizing the SDO fund, increasing the fund, or changing the authorized expenses or single purchase limit. Form copies of the Authority For Local Purchases are retained by the Auditor of State, Department of Administration, and the agency. The expense categories authorized are listed at the bottom of the form.



AUTHORITY FOR LOCAL PURCHASES

State Form 47911 (R /8-98)

Approved by Auditor of State and State Board of Accounts, 1996.

Authority number: LP #
Fund Center number:
State agency name:
Agency number:
Amount of SDO advance: \$

Pursuant to authority vested in me by Indiana Code 4-13-2-20, _____, as designated by the head of State Agency named hereon, is hereby authorized to purchase directly from vendors in the expenditure classifications as detailed below; provided that this authority to purchase directly shall not extend to any expenditure classifications not specifically named hereon; provided that such purchases shall be made and reported in accordance with Indiana Code 4-13-2-20 and other statutes pertaining hereto; and provided further that such purchases shall be settled for in the manner hereon prescribed by the Auditor.

Commissioner, Department of Administration

Date

Per Financial Management Circular 96-3, the State Budget Agency delegates to the Department of Administration the approvals required by IC 4-13-2-20 for the appointment of Special Disbursing Officers and related dollar limits set.

Pursuant to authority vested in me by Indiana Code 4-13-2-20, _____, as designated by the head of the State Agency named hereon, is hereby designated as Special Disbursing Officer with authority to disburse money in the settlement of all claims on purchases made in accordance with the authorization hereon granted by the commissioner, Department of Administration. Such authority to disburse money shall not extend to the settlement of any claims whatsoever against the State other than those provided for hereon. Funds will be made available to the above named Special Disbursing Officer by way of a Direct Deposit Account in the name of the State Agency to be used exclusively for authorized purchases. Said account may be reimbursed as necessary for any amounts expended in accordance with the above upon the submission by the Special Disbursing Officer of authenticated vouchers approved by the Commissioner, Department of Administration and the Auditor of State. The Special Disbursing Officer named hereon shall be accountable at all times for all sums advanced to said account and shall be personally liable to the State for any amounts expended in any manner not in accordance with this authorization and approved policies.

Auditor of State

Date

This authorization is limited to the purchase of and settlement for the following articles and commodities only.

Local Purchase Authority for Major Object Points:

.1 .2 .3 .4 .5 .6 .7

(Please circle all that apply)

Single Purchase Limit: \$ _____

Total of SDO Advance: \$ _____

If the maximum single purchase limit is not entered on the Authority for Local Purchases, then apply the standard limits of:

For a SDO Fund under \$1,000	\$100.00
For a SDO Fund \$1,000 or more	\$150.00

Expense authorizations may be shown with a point (.) preceding the expense category number. The categories are described as follows:

- 1 - PERSONAL SERVICES
- 2 - SERVICES OTHER THAN PERSONAL
- 3 - SERVICES BY CONTRACT
- 4 - MATERIALS, SUPPLIES AND PARTS
- 5 - EQUIPMENT
- 6 - LANDS AND STRUCTURES
- 7 - GRANTS, SUBSIDIES, REFUNDS AND AWARDS

Authorization for categories 8 or 9, in-state and out-of-state travel, respectively, is limited to travel advances to employees. It is prohibited to include travel expenses on a SDO Reimbursement Voucher. Employees must reimburse the fund immediately upon receiving their travel warrant.

The SDO fund expenditures are limited to those of the fund center (or account) number listed in the top section of the Authority For Local Purchases.

Further Restrictions of Use

SDO funds shall not be used for:

1. Items available on any QPA, when the total order exceeds \$100.
2. Prison industry items, as these can be purchased either by inter-departmental bill or purchase order.
3. Printing services above \$500.
4. Items that could be more economically or effectively procured by use of competitive bidding or competitive quotations.

The single purchase limit for the SDO fund cannot be exceeded. Purchases or payments cannot be artificially divided to circumvent the limit.

Agencies may not exceed the authorized level of the SDO account. Funds cannot be obligated for any SDO purchase unless there is an available balance in the SDO account. The total obligations incurred may not exceed the available balance of the SDO checking account, per the check register.

Indiana Code 4-13-2-20(a) prohibits paying in advance of the receipt of services, supplies, materials or equipment by the State. The following exceptions are noted: dues and subscriptions; license fees; utility connection charges; and advances to employees for approved travel. For provisions related to advance funding of federal grant programs as well as other allowable advance payments, see IC 4-13-2-20(a) and (b). See also Chapter 5 section on advance payments.

Special disbursing officers do not have authority to sell, dispose, trade-in or exchange property without approval of the Department of Administration. See Chapter 10 for disposition procedures.

Any refunds or rebates received should be receipted by the agency and included on Reports of Collections. These are recorded as refunds of expenditure if the expense and refund occur in the same fiscal year. If not, then record as miscellaneous revenue. See Chapter 3 for refund procedures.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Make sure that the State's tax exempt number is available for all SDO purchases since the Auditor of State will not reimburse sales tax.

Dues and subscriptions may be paid from SDO funds. These should be memberships in the name of the state agency, not an individual's name.

Items of a personal nature or for expenses which do not relate to the function and purpose of the agency are not allowable from SDO funds. Additionally, items for employee appreciation purposes, without prior Budget Agency approval, or alcoholic beverages are not allowed to be paid from the SDO fund.

Procedure to Obtain SDO Authority

In order to obtain an authority for local purchase and the appointment of the Special Disbursing Officer, a Request for SDO Account Establishment, Adjustments and New Officers form (State Form 49068) must be submitted to the Department of Administration with a justification from the agency director.

The administrative head of the agency determines the amount of local purchase advance required in order to make necessary local purchases.

The Request for SDO Account Establishment, Adjustments and New Officers form should contain specific information with respect to the amount of the advance requested and the justification letter should contain the purposes for which it will be used. The fund/center and the major objects that the expenditures will be made from must be listed. The agency head or authorized designee must sign the justification letter certifying that the SDO fund requested is necessary for the operation of the agency.

Per Financial Management Circular 96-3, the State Budget Agency has delegated to the Department of Administration their authority to approve initial appointments and any changes to the designation of special disbursing officers and approval of dollar limits.

The letter from the agency director is required to give the reasons for any of the following requests:

Use of SDO for major expense categories 1, 5, or 6.

Use of SDO for travel advances to employees, categories 8 or 9.

SDO advance over \$1,000.

A single purchase limit over \$500.

The individual named as Special Disbursing Officer is not the agency Procurement Agent assigned under IC 4-13-1.3-5.



REQUEST FOR SDO ACCOUNT ESTABLISHMENT, ADJUSTMENTS AND NEW OFFICER

State Form 49068 (8-98)

Please use this form, with a justification letter, to request a new SDO Account or to request adjustment to an existing one (Reference Procurement Manual).		
Date (month, day, year)	Local Purchase Number	
Name of agency		Agency number
Name of agency head		Telephone number
Fund center		
For Establishment of a new Account:		
Name of new SDO		
As a new SDO, are you also a procurement agent? <input type="checkbox"/> Yes <input type="checkbox"/> No		Requested amount: \$
Requested single-purchase limit: \$		Requested major object points:
For Adjustments to Existing Account:	REQUESTED	CURRENT
Advance Amount:		
Major Object Points:		
Single-Purchase Limit:		
For Transfer of SDO Funds to new Special Disbursement Officer:		
Name of new SDO:	As a new SDO, are you also a procurement agent? <input type="checkbox"/> Yes <input type="checkbox"/> No	
I accept the responsibility for the above advance as outlined in Chapter 7 of the Accounting and Uniform Compliance Guidelines Manual for State Agencies (State Accounting Manual) and in policy and procedure memorandums issued by the Department of Administration and the Auditor of State.		
Signature of new SDO	Date (month, day, year)	
Approved:		
Signature of Agency Head	Date (month, day, year)	
Signature of Commissioner, IDOA or Designee	Date (month, day, year)	
Signature of Auditor of State or Designee	Date (month, day, year)	

Please attach this form to your justification letter.

Requesting Changes to SDO

The agency director must submit a Request for SDO Account Establishment, Adjustments and New Officers form along with a justification letter stating the reasons for an expansion of the SDO authority or an increase of the SDO fund. The request is directed to the Commissioner of the Department of Administration.

Upon approval of the Commissioner, an Authority For Local Purchases, State Form 47911, is prepared. The local purchase number remains the same. The amount to be advanced, if applicable, is entered on the amount encumbered line at the top section of the form. The total of the SDO fund and all authorized expenditures and the single purchase limit are listed at the bottom of the form. It is then transmitted to the Auditor of State for approval.

Issuance of SDO Authority

The Authority For Local Purchases, State Form 47911, is prepared by the Department of Administration in four parts. The fourth copy is retained in the Department after all four parts have been transmitted for approval through the Department of Administration and the Auditor of State's office. If approved, the Auditor of State issues a warrant for the amount of the local purchase advance.

The Auditor's Office retains two copies of the completed Authority For Local Purchases and distributes copies to the Procurement Division of the Department of Administration and to the requesting agency.

Local Purchase Number

The Department of Administration assigns a four digit local purchase (LP) number to each SDO fund. The LP number is given on the top right side of the Authority For Local Purchases form. The SDO fund retains the LP reference number. Subsequent changes in officers assigned, advanced amounts, or authority granted reference the assigned LP number.

On the state accounting system, the local purchase number identifies the SDO advance and the associated reimbursement vouchers processed. The local purchase number is the last four digits of the noncash asset object and the first four digits of the SDO reimbursement voucher document number.

Retain the Authority for Local Purchase

Maintain the Authority for Local Purchases, State Form 47911, in a permanent file until such time as the local purchase number is closed. The Authority for Local Purchases form is also issued when the fund is increased or the authorized expenses or single purchase limit is changed. Include requests for transfers of SDO advances in this file as well.

Auditor of State Accounting Entry for the Advance

The SDO advance is recorded directly to the noncash asset object. The noncash asset object is the four digit local purchase number preceded by 11. The entry does not appear on the daily activity reports.

The monthly total of entries recorded to the asset object is shown on the Agency Object Trial Balance report for the fund/center. The year-to-date amount for the asset object equals the total advance for the SDO fund. Changes to the asset object should be verified to the Authority for Local Purchases, State Form 47911. The balance of the asset object is used to reconcile the SDO fund.

Procedure to Change the SDO Officer

To change the employee assigned as special disbursing officer a Request for SDO Account Establishment, Adjustments and New Officer form must be submitted to the Auditor of State's Office. The form is completed by the agency with entry of the local purchase number (LP), the fund/center, total amount of the SDO advance, names of the prior assigned officer and the new officer. The form must be signed by the agency Director and the new disbursing officer. A copy should be retained by the agency in the local purchase authority permanent file.

Unless otherwise approved by the Commissioner of the Department of Administration, the special disbursing officer must be the same individual as the agency procurements agent [IC 4-13-2-20(e)(3)].

The completed form is submitted to the Auditor of State. The Auditor's Office retains a copy while the original transfer request is forwarded to the Department of Administration for approval. The transfer request is then returned to the Auditor of State for final approval and filing. A copy of the final approved transfer request is then sent to the Department of Administration for their records.

The bank checking account for the fund does not close upon changing the SDO officer. The change in SDO officers does require that the accepted signatures for the checking account be filed with the bank. The special disbursing officer must be a signatory for the account. The agency may also require another signatory. This may be considered when another employee performs daily functions for the SDO account, or for checks issued above an established amount.

The prior special disbursing officer should be required to complete reconciliations of both the checking account and the SDO advance at the expiration date of the authority. The new officer must review and accept both reconciliations. Review of the bank account reconciliation includes:

- Compare the bank balance used to the statement.
- Determine that all checks issued to date are posted to the register.
- Observe the deposit ticket(s) as evidence of deposits in transit listed on the bank reconciliation.
- Compare the checks listed as outstanding to the check register. Determine that they were not listed as paid on the bank statement.

Review of the reconciliation of the SDO advance to the check register balance includes:

- Count of any cash funds maintained.
- Verify the amount of the total SDO advance to the asset balance per the most recent Agency Object Trial Balance report for the fund/center. The asset balance is shown as the local purchase number preceded by 11.
- Observe the original paid invoices or receipts for those expenditures not yet submitted for reimbursement.
- Confirm outstanding employee travel advances with the travel clerk or employee.

The new SDO officer should be trained in the proper handling of money advanced. Review the AUTHORITY FOR LOCAL PURCHASES, State Form 47911, to determine the single purchase limit and types of expenses authorized.

AMOUNT OF SDO ADVANCE

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account and thus is not being invested. Therefore, consideration should be given to the size of the SDO fund. If you are not using your total SDO advance within one or two months then your SDO advance is too large and should be reduced. If you are reimbursing the total value of the advance more than once a month you may want to consider increasing the advance.

INTEREST EARNED

If the SDO fund is in an interest bearing account, any interest earned is to be deposited as miscellaneous revenue in a general fund (fund 1000) fund center. However, if the SDO advance is from a fund that, by statute, may maintain interest earned from investment, the interest is to be deposited as miscellaneous revenue in the fund center that issued the SDO advance.

ACCOUNTING FOR LOCAL PURCHASES

Issuance of Checks

A special disbursing officer is not personally liable for a check issued if: the officer is authorized to make the disbursement; funds are appropriated and available to pay the warrant; and the officer complies with procedures adopted by the State Board of Accounts to govern the issuance of SDO checks. [IC 4-13-2-20(g) and (h)].

The single purchase limit, specified on the AUTHORITY FOR LOCAL PURCHASES form, is the maximum amount which may be expended on a single purchase from SDO funds. [IC 4-13-2-20(e)(1)].

"No warrant or check shall be drawn by a disbursing officer of the state . . . in payment of any claim unless the same has been fully itemized. . . ." [IC 5-11-10-1(b)]. It is important that paid invoices be obtained for every disbursement, since a reimbursement cannot be obtained from the Auditor of State without an original paid invoice accompanying the reimbursement voucher. A fully itemized invoice or receipt lists the vendor or company name and address, date supplied or service performed, number of units, item unit cost, description of product or service performed and the total cost. Staple small receipts to a piece of paper and enter the vendor name and item description if it does not appear on the receipt. Do not pay a statement balance or balance forward without an itemization and determination that it was not paid previously.

If the SDO officer has not personally observed receipt of an item or service, indicate who received it. Compare billing statements or invoices to work orders, shipping or packing receipts, catalog or advertised prices, as applicable. Do not pay vendor invoices for items or services procured on a Purchase Order contract. Submit these for a matched payment by the Auditor of State.

All blank checks must be serially prenumbered by the printing supplier and show the agency name, State of Indiana. Blank check forms should not be accessible to persons other than those authorized to prepare or supervise the check writing process. Blank checks should never be signed and signatures should never be applied in advance of preparation of the check. Voided or damaged checks should be rendered non-negotiable and filed for subsequent inspection or audit. The SDO fund is required to maintain a check register or a Record of Funds Advanced to Officials form SDAF5.

Prior to issuing an SDO check, determine if the payee and transaction are 1099 reportable. If both criteria are met, then determine if form W-9 has been filed with the state. Check vendor inquiry either on-line or on microfiche. If no vendor identification number appears, then require the vendor to complete form W-9 prior to payment of the vendor invoice. No vendor identification number is needed for non-reportable SDO payments. All employee reimbursements are non-reportable.

Complete the SDO check completely prior to applying the signature. Use the reference line to enter the invoice or account number if applicable. Enter the check number and date paid on the invoice or statement. Post the check date, check number, payee, and amount to the check register. Calculate and enter the remaining check register balance. Insufficient funds charges are the responsibility of the assigned officer, so do not exceed the available balance. Checks to vendors should be mailed without allowing them to return to the persons who approved the transaction for payment. File the paid invoices and receipts in a pending reimbursement file. Separate files may be maintained for 1099 reportable and non-reportable documents. The transaction may also be classified by object at this time and filed by major category.

Take advantage of any discounts offered. The SDO officer has the duty to pay SDO claims in a timely fashion. Any penalties, interest or other charges paid by the governmental unit may be the obligation of the responsible official or employee.

REIMBURSEMENT VOUCHER PROCEDURES

Submit Reimbursement Vouchers in a timely manner, so the SDO account is not depleted. Reimbursement ordinarily takes from one week to ten days.

The following procedures are used to obtain reimbursement:

1. Classify paid invoices or receipts by expense object code. Enter the expense object code on the invoice or receipt. Small receipts should be attached to a larger paper for entry of the payee name and item description, as required, and the check number and expense object.
2. Sort paid invoices or receipts by the major expense category. The major category is the second digit of the expense object code. Separate Reimbursement Vouchers must be submitted for each expense category. Recall that only categories one through seven are reimbursable. Travel expenses, categories eight and nine, are not allowed.
3. Identify those invoices which are 1099 Reportable. For each expense category, the 1099 reportable payments are submitted on separate SDO Reimbursement Vouchers. Both the vendor and the transaction type must qualify for 1099 reporting. Include the entire invoice as 1099 reportable when a portion of the invoice qualifies. An example is an invoice for parts and labor supplied by a sole proprietor.

4. Prepare a three part SDO Reimbursement Voucher for each batch of paid invoices and receipts. A separate reimbursement voucher is required for each expense category and for 1099 reportable payments within each category. Sample reimbursement vouchers and form instructions follow this section. For all SDO Reimbursement Vouchers, calculate and enter the total amount of each expense object.
5. If the SDO Reimbursement Voucher is 1099 reportable, then also calculate and enter the total amount paid to each vendor. Provide the 1099 code and vendor identification. Organize the original invoices and receipts in vendor order. Prepare a calculator tape listing each invoice amount showing the total for each vendor. Also, add all vendor totals to the grand total of the document.
6. For non-1099 reportable vouchers, prepare a calculator tape listing each invoice amount comprising each expense object total. Also add all expense objects to the grand total of the voucher.
7. Complete an Itemization Form for each reimbursement voucher for expense categories 3, 4, or 5. Prepare an original and duplicate copy. List each item from the paid bills that are to be reimbursed. Enter a line under the last item amount in the total column. Calculate and enter the sum of the TOTAL amount column. The total of the itemization form must equal the Gross amount of the SDO Reimbursement Voucher. Submit the original itemization form with the SDO Reimbursement Voucher and attach the duplicate to the yellow copy of the SDO Reimbursement Voucher which is retained in the agency. An itemization form example is provided with the sample SDO Reimbursement Vouchers.
8. Assign the SDO Reimbursement Voucher document number. For 1099 Reportable SDO Vouchers, also assign a number to each vendor listed. This may be the SDO reimbursement document number plus a letter (ex: L34160002A, L34160002B). Use a consecutive numerical series for each local purchase authority. Begin a new series each fiscal year on July first. The document number format is: L####XXXXX.

L - identifies transaction as SDO Reimbursement.
 #### - The four digit Local Purchase Number assigned on the Authority for Local Purchases.
 XXXXX - Agency document number assigned consecutively.

The Agency Available Funds Activity report lists the document number for each expenditure.

9. Photocopy the invoices and receipts for each reimbursement voucher. Remove the third copy (yellow) of the SDO Reimbursement Voucher and attach it to the invoice copies. Retain in an agency file for pending reimbursement vouchers.
10. Place the completed SDO Reimbursement Voucher documents in the following order:
 - A. Itemization Form - Required only for expense categories 3, 4, or 5.
 - B. Reimbursement Voucher - White and pink form copies.
 - C. Actual Original Paid Invoices or Receipts - Place in expense object order for non-1099 reportable vouchers, and in vendor order for the 1099 reportable SDO Reimbursement Vouchers. Reimbursement cannot be obtained from the Auditor's Office without original paid invoices accompanying the reimbursement voucher.

- D. Calculator Tape - List invoice amounts to prove expense object totals for non-1099 reportable vouchers. Prove the vendor totals for the 1099 reportable vouchers.
11. Submit the first two copies (white and pink) of the SDO Reimbursement Vouchers with attachments, directly to the Auditor of State's Office for reimbursement.

SDO REIMBURSEMENT VOUCHER FORM INSTRUCTIONS

Prepare a SDO Reimbursement Voucher for each major expense category, and for 1099 reportable payments of each category. Follow the Reimbursement Voucher procedures listed in the preceding section. Complete the SDO Reimbursement Voucher legibly in ink or type. The numbers below correspond to the sections shown on the sample SDO Reimbursement Vouchers which follow.

1. **Agency Name**
2. **Agency Number** - Enter the 3-digit agency number.
3. **Document Number** - The document number is a ten digit field entered by the agency in the following format:

L####XXXXX

L - Identifies transaction as SDO Reimbursement.
- Enter the four digit Local Purchase Number assigned on the Authority for Local Purchases.
XXXXX - Agency Document Number assigned consecutively.
4. **Local Purchase Number** - Enter the 4-digit LP Number assigned to the SDO fund by the Department of Administration on the Authority for Local Purchases.
5. **Name of Special Disbursing Officer** - Enter the name of the person authorized for this LP account.
6. **Date** - Enter the date the document number is assigned.
7. **Special Disbursing Officer Factor Number** - This 10-digit number is the 3-digit agency #, followed by the 4-digit LP #, with the remaining 3 digits filled with zeros. This number is used as a vendor # for the SDO officer.
8. **Signature of Special Disbursing Officer** - Must be original signature or signature stamp application.
9. **Date Paid** - Enter the transaction date or range if more than one date is involved.
10. **Amount** - On each line enter the total amount for a particular object.
11. **Fund** - Enter the 4-digit fund number. The fund and center must be that authorized for the local purchase authority. The same fund and center apply to all expenses for the local purchase number.
12. **Object** - Specify the expense object for the amount listed on that line. All objects listed must have the same major object category.

13. **Center** - Enter the 6-digit center number.

14. **Gross Amount** - Enter the total dollar amount of the reimbursement voucher. This must equal the total of the amount column.

Stop here if the voucher is Non-1099 reportable. See the next page for an example.

For 1099 Reportable SDO Reimbursement Vouchers also complete the following section:

15. **Vendor's Name** - Enter the vendor's name, their Federal ID or Social Security #, Document # and proper 1099 code. Each vendor is assigned a consecutive document number, following that of the SDO Reimbursement Voucher itself. It is also necessary to supply a vendor group code.

16. **Amount** - Enter the total dollar amount paid to each vendor.

An example of a 1099 Reportable SDO Reimbursement Voucher is provided following the non-reportable voucher.

SPECIAL DISBURSING OFFICER REIMBURSEMENT VOUCHER

State Form 11649 (R/5-89)

Approved by State Board of Accounts 1989

Non-1099 Reportable SDO

INSTRUCTIONS: State agencies will complete this form and send the first two (2) copies to the Department of Administration, Procurement Division, along with the originals of all supporting vendor invoices. Please use additional sheets of paper for vendors names and amounts if necessary.

Agency Name Auditor of State	1	Agency Number 050	2
Document Number L341600001	3	Local Purchase Number 3416	4
Name of Special Disbursing Officer Connie Nass	5	Date (Month,Date,Year) 11/22/99	6
<p>Person are just and legal charges against the State of Indiana ;that the articles and services named thereon were contracted for in accordance with the authority granted in the above- numbered Authority for local Purchases; and that the said articles and services have been settled in full from the moneys advanced to me as a Special Disbursing Office under said Authority For Local Purchases.</p>			
Special Disbursing Officer Factor Number 0503416000	7	Signature of Disbursing Officer	8

[illegible][illegible]

DISTRIBUTION: White (top) Copy and Pink Copy-Department of Administration,Procurement Division; Canary Copy-Stae Agency's Files

SPECIAL DISBURSING OFFICER REIMBURSEMENT VOUCHER

State Form 11649 (R/5-89)

Approved by State Board of Accounts 1989

1099 Reportable SDO

INSTRUCTIONS: State agencies will complete this form and send the first two (2) copies to the Department of Administration, Procurement Division, along with the originals of all supporting vendor invoices. Please use additional sheets of paper for vendors names and amounts if necessary.

Agency Name Auditor of State	1	Agency Number 050	2
Document Number L341600002	3	Local Purchase Number 3416	4
Name of Special Disbursing Officer Connie Nass	5	Date (Month, Date, Year) 11/22/99	6
<p>ion are just and legal charges against the State of Indiana ;that the articles and services named thereon were contracted for in accordance with the authority granted in the above- numbered Authority for local Purchases; and that the said articles and services have been settled in full from the moneys advanced to me as a Special Disbursing Office under said Authority For Local Purchases.</p>			
Special Disbursing Officer Factor Number 0503416000	7	Signature of Disbursing Officer	8

[illegible][illegible]

Approved for Payment by the Department of Administration

DISTRIBUTION: White (top) Copy and Pink Copy-Department of Administration,Procurement Division; Canary Copy-Stae Agency's Files

USE OF AUDITOR OF STATE DISKETTE PROGRAM

The "VENDOR FILE PAYMENT DISKETTE PROGRAM" may be used for non-1099 reportable SDO Reimbursement Vouchers. The personal computer program was developed by the Auditor of State to expedite warrant issuance through agency data entry.

When the disk program is used, the SDO Reimbursement Vouchers are prepared and submitted in the same manner. The diskette, printout, and a diskette cover sheet are also required. The agency may enter several SDO Reimbursement Vouchers on one diskette. The disk batch can include vouchers for various expense categories, officers, and fund/centers. The disk program can only be used for the non-1099 reportable SDO Reimbursement Vouchers. The agency may wish to submit separate disk batches for expense categories 1, 2, or 7, which are transmitted directly to the Auditor of State. Batches which include object category 3, 4, or 5 expenses must be submitted to the Department of Administration for approval, unless not required under the agency's approved Procurement Streamlining Plan.

A warrant is issued for each Reimbursement Voucher submitted.

SDO Reimbursements issued from the diskette program are assigned the document reference D-####NNYYDDD, where:

- D - Identifies the document type as SDO.
- ### - The agency number.
- NN - Auditor of State System Assigned Batch Number.
- YY - Year.
- DDD - Julian Date.

The document reference includes an additional six digits for the disk record number for the transaction. This is reported on the Program Printout, the Warrant Distribution Report, and warrant registers. Disk program batches begin at record number two.

Detailed program and form instructions are given in Chapter 14, Payments from Computer Media.

PROCEDURES UPON RECEIVING SDO REIMBURSEMENT

After processing by the Auditor, the pink copy of the SDO Reimbursement Voucher is returned to the agency along with the direct deposit stub. The white copy of the SDO Reimbursement Voucher is maintained in the Auditor of State's files. The special disbursing officer must determine that the amount of the reimbursement equals the grand total of the reimbursement voucher.

Upon receiving the Agency Available Funds Activity report, verify that the SDO Reimbursement Voucher was posted accurately. Compare the expenditure amounts reported to the pink copy of the SDO Reimbursement Voucher. Place a check mark on the reimbursement voucher next to each object amount verified.

Match the pink copy of the SDO Reimbursement Voucher to the yellow copy and attachments from the pending file. File together in a completed SDO Reimbursement Voucher file, in document number order.

OTHER SDO METHODS

Local Office Cash Funds

Local office cash funds may be established when necessary to facilitate payments for small routine office expenses such as postage due. A check is issued from the SDO fund payable to a responsible employee. The SDO check is cashed and held in the agency office in a locked cash box stored in a locked safe or cabinet. Disbursements are made in cash. All receipts, invoices, or other paid items are locked separately for better internal control. When reimbursement is necessary, the paid receipts or invoices are submitted to the SDO officer. Upon acceptance of the disbursements, the Special Disbursing Officer issues a check payable to the custodian, to be cashed and placed in the locked cash box.

At all times, the unreimbursed disbursements plus the cash on hand must equal the local purchase advance. On a monthly basis, this reconciliation should be documented and, if possible, independently verified. Form SDAF-5, Record of Funds Advanced to Officials, documents the status of the cash fund. In lieu of Form SDAF-5, the custodian should maintain copies of the document batches submitted. Enter the total batch amount. Upon reimbursement, post the check number and date received.

The agency may establish several local office cash funds, as needed. The transactions of each must be identified. Reference methods of assigned numbers, location codes or accounts may be utilized. The amount and custodian for each local office cash fund are listed in the SDO fund reconciliation.

SDO checking account records must describe payments to a local cash fund as either an advance or reimbursement. The check register or form SDAF-5, Record of Funds Advanced to Officials, must reference the SDO Reimbursement Voucher(s) which contain the local expenses. Enter the SDO Reimbursement Voucher document number(s) and the amount of the local expense included on each.

Either the local custodian or the central office may prepare SDO Reimbursement Vouchers. The local cash fund must be identified. If expenses submitted by various custodians are combined on vouchers, then identify the local fund which paid each attached invoice or receipt. The date paid per the reimbursement voucher is the date the reimbursement was issued to the local fund. The special disbursing officer enters the date paid, assigns the document number and signs the voucher.

Subsidiary SDO Checking Accounts

Subsidiary SDO checking accounts may be established to facilitate local purchases and payments, with central accounting control. The subsidiary SDO fund has the same restrictions and limitations as the central fund. The expenses are also recorded to the same fund/center. The SDO officer is responsible for training the local custodian, communicating authority, reviewing documents submitted, signing reimbursement vouchers, and ensuring that monthly reconciliations are submitted. Monthly reconciliations of the checking account and the amount advanced are required. The best control exists when the reconciliations are independently prepared or reviewed at the location.

At all times, the unreimbursed disbursements plus the check register balance must equal the local purchase advance.

Subsidiary checking accounts are managed in the same manner as the local office cash funds, except that the advance from the central SDO fund is deposited into a checking account. Disbursements are made by check using the check issuance procedures given in this chapter. When reimbursement is necessary, the paid receipts or invoices are submitted to the SDO officer. Upon acceptance of the disbursements, the special disbursing officer issues a check payable to the custodian, to be deposited in the local checking account.

The central SDO checking account records must describe a payment to a subsidiary fund as either an advance or reimbursement. The central SDO records must reference reimbursement payments to the SDO Reimbursement Voucher(s) which contain the local expenses. Enter the SDO Reimbursement Voucher document number, or numbers and the local expense amount claimed on each. The amount of the advance and custodian for each subsidiary SDO checking account fund are listed in the central SDO fund reconciliation.

Either the local custodian or the central office may prepare SDO Reimbursement Vouchers. The local subsidiary fund must be identified. Reference methods of assigned numbers, location codes or accounts may be utilized. If expenses submitted by various custodians are combined on vouchers, then identify the fund which paid each attached invoice or receipt. The date paid per the reimbursement voucher is the date the reimbursement was issued to the local fund. The special disbursing officer enters the date paid, assigns the document number and signs the voucher. The voucher is submitted for special disbursing officer reimbursement and deposit to the central checking account.

The agency or special disbursing officer may require further procedures, or certifications of expenses and reconciliations.

SEVERAL SDO'S AUTHORIZED FOR AN AGENCY

The agency director may request several local purchase authorizations, with different employees as special disbursing officers. The request is sent to the Commissioner of the Department of Administration. A Form 47911, Authority for Local Purchase is issued for each authorized advance and special disbursing officer.

Considerations for operating several official SDO's versus having subsidiary SDO checking accounts include the following:

1. Each special disbursing officer must classify transactions by expense object and complete SDO Reimbursement Vouchers. The central SDO may do this for subsidiary accounts.
2. Each special disbursing officer signs the reimbursement vouchers. No other agency review or approval is required by the Auditor of State. The central SDO is required to review and approve subsidiary account expenses.
3. State warrants for the SDO fund are issued to each SDO officer. Each SDO officer is responsible for the assigned local purchase authority. Central SDO checks are issued to subsidiary accounts with additional agency record keeping.
4. The various SDO funds established may have different authorized expenses and single purchase limits. Subsidiary accounts operate within the same authority.
5. Each SDO established may be authorized to incur expenses for a different fund/center. Subsidiary checking accounts must use the same fund/center.
6. The local purchase advance to each special disbursing officer is recorded on the state accounting system. It is reported on the Agency Object Trial Balance, issued monthly. Agency records document subsidiary account advances.
7. The expenses for each local purchase authority are identified on the state accounting system. The document reference for each reimbursement voucher specifies the local purchase number assigned. Agency records must document subsidiary account reimbursements.

RECORD OF FUNDS ADVANCED TO OFFICIALS

Form SDAF-5, Record of Funds Advanced to Officials, provides a simple method to record all receipts, disbursements by expense object, and cash or subsidiary funds delegated to various parts of the agency. When an agency has several SDO funds or subsidiary cash or checking accounts, each may be required to maintain an SDAF-5.

In lieu of the Record of Funds Advanced to Officials, a check register must be maintained. Deposit entries should provide the state warrant/direct deposit number or otherwise describe the source. For disbursements, enter the payee name and a brief description. Registers may be maintained manually or on computer. If the register is maintained on computer, it must be printed monthly and retained for audit.

Instructions for SDAF-5, Record of Funds Advanced to Officials (for all checking or combination checking and cash SDO funds):

1. Deposit an initial local purchase in a special checking account for the purpose, and enter the amount in the Receipts and Balance columns headed SDO Checking Account.
2. Upon issuing a check to a custodian of a cash fund or a subsidiary checking account for an advance, enter the amount as a disbursement and update the Balance in the SDO checking account section. Also, enter the amount advanced in the Subsidiary Accounts column.
3. When expenditures are made, enter the amount as a Disbursement and update the Balance in the SDO Checking Account section and show under the Disbursements section by type of expense.
4. When a cash fund or subsidiary account becomes depleted, reimburse by check and record as a normal disbursement showing the various expenditure categories under the Disbursements section.

At all times, the unreimbursed disbursements plus Office Cash and Subsidiary Account Advances plus the SDO Checking Account Balance must equal the local purchase advance.

5. When reimbursement of the SDO Checking Account Balance is necessary, draw a solid line across the page and total all columns except the Balance column. Carry down the balance shown in the Balance column. In the SDO Checking Account section, total Receipts minus total Disbursements must equal Balance. Balance, plus Office Cash and Subsidiary Accounts, plus the totals from the Disbursements section must equal the local purchase advance. File SDO Reimbursement Vouchers for items shown in the Disbursements section. Regular fund action may continue as money is available before the reimbursements are received. Upon receipt of the reimbursement (direct deposit stub), enter in the Receipt column and update the Balance.

Enter also as minus amounts (shown in parenthesis) the amounts of the disbursements reimbursed. Draw a solid line across the page and total as before, bringing down the Balance. Prove the amounts as before. The amounts in the Disbursements section will total zero unless other expenditures were made prior to reimbursement.

6. At the bottom of each page, total all columns except the Balance column. Carry down the balance. Prove the totals as before. Bring the totals forward to the top of the next page.

Instructions for SDAF-5, Record of Funds Advanced to Officials for cash only funds are:

1. Enter the amount of the local purchase advance in the Receipts and Balance columns under the SDO Fund section.
2. When expenditures are made, enter the amount as a Disbursement and update the Balance in the SDO Fund section. Also, enter the amount in the Disbursements section by type of expense.

At all times, the unreimbursed disbursements plus the SDO Fund Balance must equal the local purchase advance.

3. When reimbursement of the SDO cash fund is necessary, draw a solid line across the page and total all columns except the Balance. Carry down the Balance shown. In the SDO Fund section, total Receipts minus total Disbursements must equal Balance. Balance plus the totals from the Disbursements section must equal the local purchase advance. File expense documents for reimbursement from the SDO fund. Regular fund action may continue if money is available. Enter reimbursements as Receipts and update the Balance in the SDO Fund section.

Enter also as a minus (shown in parenthesis) the amounts of the disbursements reimbursed. Draw a solid line across the page and total as before bringing down the Balance. Prove the figures as before. The amounts in the Disbursements section will total zero unless other expenditures have been made before reimbursement.

4. At the bottom of each page, total all columns except the Balance column. Carry down the Balance. Prove the totals as before. Bring the totals forward to the next page.



**RECORD OF FUNDS ADVANCED TO OFFICIALS
S.D.O. AND L.P.A. ADVANCE**

State Form 21863 (R/ 10-93) S.D.A.F. 5
Approved by State Board of Accounts, 1993

Fiscal year	Name of department	L.P. Number
1999 - 2000	Board of Example	1151

	DATE		DESCRIPTION	CHECK NUMBER	S.D.O. CHECKING ACCOUNT			SUBSIDIARY ACCOUNTS	DISBURSEMENTS				
					Receipts	Disburse- ments	Balance		.2	.3	.4	.5	
1	Feb.	1	Balance forward				859.46			257.31	47.98	35.25	1
2		3	Sam's Shop	213		98.63	760.83				98.63		2
3		4	Office Supplies	214		175.98	584.85				175.98		3
4		8	Reviewers Corp.	215		215.75	369.10			215.75			4
5													5
6		9	L115100201, 202 & 203						-	473.06	322.59	35.25	6
7													7
8		11	John's Photos	216		82.50	286.60				82.50		8
9		15	CBD Computers	217		65.99	220.61					65.99	9
10		15	Deposit reimbursement		830.90		1,051.51			(473.06)	(322.59)	(35.25)	10
11		16	Corp. Advisors	218		275.50	776.01			275.50			11
12		18	All Paper, Inc.	219		121.03	654.98				121.03		12
13		21	Office Supplies	220		315.79	339.19				165.61	150.18	13
14													14
15			L11500204, 205 & 206						-	275.50	369.14	216.17	15
16													16
17		25	Sam's Shop	221		57.10	282.09				57.10		17
18		28	Sam Johnson --	222		17.50	264.59				17.50		18
19			reimburse for purchase										19
20			of supplies										20
21													21
22		28	Deposit reimbursement		860.81		1,125.40			(275.50)	(369.14)	(216.17)	22
23													23
24			Balances at end of month				1,125.40		-	-	74.60	-	24
25													25
26													26
27													27
28													28
29													29
30													30

TRAVEL CASH ADVANCES

With the Appointing Authority approval, cash advances can be issued from the agency's SDO account to a state employee traveling on state business for one hundred percent (100%) of the estimated eligible expenses. Eligible expenses include bus or train tickets, hotel base rate plus applicable taxes, and registrations. Cash advances are not to be issued for meals or other expenses.

Employees that receive an advance must sign a form acknowledging the amount received and agree to reimburse the agency the cash advance upon receipt of their travel reimbursement through the Auditor's Office. (A standard travel advance form is shown in Chapter 11, page 11:9.) Employees must submit their travel vouchers timely after completion of the trip.

Agencies giving cash advances must have procedures for employees to request the advance, obtain supervisory or management approval of the advance, and ensure advances are reimbursed timely. Agencies must have a record of all cash advances. The record must include date advance was made, to whom, the dollar amount, and when the advance was reimbursed.

RECONCILIATIONS FOR SDO FUND

At least monthly, two reconciliations must be performed for the SDO fund. As for any checking account, the bank statement balance must be reconciled to the check register balance. The other reconciliation accounts for the total SDO advance. The SDO advance is reconciled to the check register balance.

Checking Account Reconciliation

A form for reconciling the checking account is normally provided by the bank with the bank statement of account activity. It is important to realize that a bank can make an error, as can a special disbursing officer. It is necessary, therefore, to prepare a monthly bank reconciliation to ensure that both the bank and SDO record are correct. If the amounts do not reconcile, find the error. An example of a bank account reconciliation is shown on the next page. Bank account reconciliation procedures are as follows:

- * Compare bank transaction entries to the check register entries. Enter a check mark on both records for transactions which agree. Investigate any differences by observing the documentation such as the deposit ticket, or cancelled check. Contact the bank to correct bank errors. Correct check register errors with entries providing description or item reference.
- * Complete the bank reconciliation form. List dates and amounts of each deposit in transit. List the date, check number and amount of each outstanding check. Be sure to include those which remain outstanding from the previous month.

Checks outstanding for one year from date issued are to be remitted to the Attorney Generals' office as unclaimed property [IC 32-9-1.5]. See OUTSTANDING CHECKS on the following page.

Reconciliation of SDO Advance

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance, must equal the local purchase advance. If the reconciled SDO advance is less than the amount originally advanced, then the SDO officer may be personally responsible for the amount needed to balance the advance. This reconciliation of the SDO advance must be formally documented at least monthly. The best control is provided when the reconciliation is prepared or reviewed by staff independent of the functions of preparing checks or maintaining the check register.

A sample SDO Advance Reconciliation is provided following that of the bank account. The reconciliation identifies the local purchase authority number, special disbursing officer, date prepared and the preparer and reviewer, as applicable. Instructions for the reconciliation are as follows:

- * Enter the total SDO Advance. This is shown on the Agency Object Trial Balance report issued each month on Alchemy. The amount is shown for the asset object, identified by the four digit local purchase number preceded by 11.
- * Enter the check register balance as of the date reconciled.
- * List the amount advanced to each subsidiary checking account or cash fund. Name the custodian responsible for each. The amounts listed for the subsidiary accounts or cash funds remains the same from month to month unless additional advances are issued or accounts are closed.
- * List the pending SDO Reimbursement Vouchers for which a state warrant has not yet been received. Provide the document number and amount of each.
- * List the disbursements that have not been included on reimbursement vouchers. Enter the check number, date and amount for each. Identify any travel advances.
- * Investigate any differences between the SDO advance and the total of the check register balance and the listed advances and unreimbursed disbursements.

OUTSTANDING CHECKS

Indiana Code 32-9-1.5-20 provides that property becomes abandoned if held by the State one year after the property becomes distributable. SDO checks are considered abandoned if still outstanding after one year after issuance. Indiana Codes 32-9-1.5-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General. Therefore, turn over to the Attorney General's Unclaimed Property division the value of SDO checks that have been outstanding for a year. Add the checks' values back into your check register and write a new check to the Attorney General's office. Submit the new check and a report listing the payees on the original checks, the date of the original checks, and the amounts to the Unclaimed Property division. Contact the Unclaimed Property division for their current report format.

SPECIAL DISBURSING OFFICER RESPONSIBILITY

It is the Special Disbursing Officer's responsibility to account for all SDO funds. The SDO officer is personally liable to the state for any amounts expended in any manner not in accordance with statute, the authorization, and policies issued by the Department of Administration and those in this manual. Accordingly, the SDO officer may be held personally responsible for the amount needed to balance the fund or for amounts improperly expended. If theft from the SDO fund is suspected, a police report must be obtained before the missing amount can be reimbursed by the Auditor of State.

**BOARD OF EXAMPLE
SDO CHECKING ACCOUNT RECONCILIATION
MONTH OF March 2000
LP #1151**

Balance From Bank Statement \$ 219.03

Add: Deposit in Transit (1)

<u>Date</u>	<u>Amount</u>	
3/24	\$ 139.11	
3/27	100.00	<u>239.11</u>

458.14

Subtract: Outstanding Checks (2)

<u>Date</u>	<u>Number</u>	<u>Amount</u>	
2/03	176	\$ 50.00	
3/23	224	63.3	
3/04	225	20.3	
3/26	226	<u>3.57</u>	<u>137.17</u>

Check Register Balance \$ 320.97

- (1) Deposits not yet credited by bank.
(2) Checks not yet cleared and returned by bank.

Prepared By: _____ Date: _____

Approved By: _____ Date: _____

**BOARD OF EXAMPLE
RECONCILIATION OF SDO ADVANCE
AS OF March 31, 2000**

**LOCAL PURCHASE NUMBER: 1151
SPECIAL DISBURSING OFFICER: JANE DOE
FUND/CENTER: 1000/075300**

Total SDO Advance to be accounted for (equals asset 111151) \$ 1,200.00

Check Register Balance at 3/31 \$ 320.97

Plus:

Advances to Subsidiary Accounts:

<u>Custodian, Location</u>	<u>Amount</u>	
Bob Smith, Columbus	\$ 300.00	
Kris Love, Kokomo	<u>200.00</u>	500.00

Pending SDO Reimbursement Vouchers:

<u>Document Number</u>	<u>Amount</u>	
L115100207	\$ 83.72	
L115100208	243.07	
L115100209	<u>48.67</u>	375.46

Payment not yet on Reimbursement Vouchers:

<u>Check No.</u>	<u>Date</u>	<u>Amount</u>	
226	3/26	\$ 3.57	\$ 3.57

Total SDO Advance Accounted For \$ 1,200.00

Prepared By: _____ Date: _____

Approved By: _____ Date: _____